



Missouri Department of Elementary and Secondary Education

— Making a positive difference through education and service —

October 20, 2003

TO: School District Administrators

FROM: Gerri Ogle, Associate Commissioner, Administrative and Financial Services
Denise Pierce, Director, School Finance
Tom Quinn, Director, School Governance

RE: October Financial Information

Prior Year (2002-03) Adjustment - Basic Formula and Line 14

Each year the prior year apportionment is recalculated from the first live prior year correction through the following June. Therefore, the amount due to the district for **2002-03** will be recalculated each month through June 2004. If the district was overpaid or underpaid for **2002-03**, the first positive or negative adjustment is reflected in the October 2003 correction column of the payment transmittal. The correction may be quite large for some districts. **Most districts will have some amount of correction due to the change in the Lines 1A & B and 14A & B proration factors.** The October correction amount is the first and probably the largest correction to the district's **2002-03** apportionment that will be made during the year and is generally caused by:

- the district's payment EP in June 2003 being less than the actual 2002-03 EP;
- the district's estimated 2002-03 EP in June 2003 being greater than the higher of the actual EP for 2000-01, 2001-02, and 2002-03;
- statewide changes occurring in the payment eligible pupil count for 2002-03 affecting the proration factor for all districts for 2002-03.

The revised payment EP for the recalculation of the 2002-03 formula increased from 880,959 in June, 2003 to 884,704 in October 2003, which is an increase of 3,745 EP. No additional money was available to add to the 2002-03 calculation. Consequently, redistributing the 2002-03 fixed dollars to more eligible pupils in this recalculation caused a reduction in the proration factors from those used in June 2003. The proration factor changes are:

| <u>Month</u> | 2002-03 PRORATION FACTOR | |
|---|---------------------------------|---------------------------|
| | <u>Lines 1A & 14A</u> | <u>Lines 1B & 14B</u> |
| June 2003 Proration Factor | 0.97128967 | 0.92128967 |
| October 2003 Recalculation of the 2002-03 Proration Factor: | 0.96818065 | 0.91818065 |

By taking the district's June 2003 Basic Formula calculation page (ten-month) and making the following adjustments, one can compute the prior year correction, which appears in the Correction (Prior Year) column on the enclosed payment transmittal:

- Change the Line 1 EP to the greater of the 2000-01, 2001-02, or 2002-03 actual EP. (Estimated EP numbers as of June 2003 were also replaced with the greater of the 2000-01, 2001-02 or 2002-03 actual EP.)

2. Change the proration factors to those printed above. The recalculated proration factors are likely to drop slightly through the June 2004 recalculation of 2002-03 as districts continue to submit revisions to 2002-03 attendance data.
3. Add a 6% interest penalty to the district's overpayment if the June 2003 calculation was greater than 105 percent of what the district should have received for 2002-03. This interest penalty is in addition to the negative correction.

By substituting these numbers on the June 2002-03 Basic Formula calculation page (ten-month), the district should be able to verify the positive or negative correction showing in the column labeled "Correction Prior Year" on the payment transmittal for Basic Formula and Free and Reduced (Line 14). It is possible for a district to have an increase in eligible pupils above the number on which it was paid in 2002-03 and still receive a negative adjustment because of the statewide proration factor changes.

Current Year (2003-04) Proration Factor

The current year proration factor dropped slightly due to changes or corrections by districts to various data elements.

| | <u>Line 1A & 14A</u> | <u>Line 1B & 14B</u> |
|---|--------------------------|--------------------------|
| September 2003 (Current Year) Proration Factor | 0.87907154 | 0.82907154 |
| October 2003 (Current Year) Proration Factor | 0.87754616 | 0.82754616 |

Gifted Payment

The Gifted payment for October is a "live" payment. The projected rate of reimbursement is 57%. Payments are based on data from the approved automated application for each district. If an application is amended during the October/November amendment window, the new amounts will be reflected in subsequent payments. Districts that were overpaid in the previous year have received notices of the amount to be refunded to the state. Refunds must be returned before a payment for the current year can be made. If you have questions about the payment, please contact the Gifted Education Section at (573) 751-2453.

September 2003 Textbook Payment

The September 2003 Textbook Payment was transferred by ACH on September 30, 2003. The payment was based on the district's September 2002 FTE membership calculation. The County Foreign Insurance Tax available for distribution for the 2003-04 Textbook payment was \$66,481,621 compared to \$83,046,981 in 2002-03. The total September 2002 membership was 887,884.49 compared to the final September 2001 membership of 883,791.29. The 2003-04 amount per September 2002 FTE membership was **\$74.8764** (\$66,481,621 ÷ 887,884.49).

Positive or negative adjustments to the 2003-04 payment were caused by changes made to the September 2001 membership after the 2002-03 payment. Detail on the 2003-04 payment can be found on the School Finance WEB page at: <http://dese.mo.gov/divadm/finance> by clicking on "Monthly Financial Reports" and accessing the report called "Textbook Payment". Since the Textbook Payment is only made once a year (September 30), all changes made after September 16, 2003, to the September 2002 membership which affect the Textbook Payment will be used to calculate a correction to the September 2004 Textbook Payment.

Audit Reports – Repeated from September Memo – Due Date Reminder

The 2001-02 and 2002-03 audit reports are **due by October 31, 2003**. However, if the reports will not be submitted by October 31, 2003, the district may make a written request to the School Finance Section for an extension. A sixty-day extension will be granted to districts requesting it. State law does not allow an extension beyond sixty days. If the audit report is not received by the October 31 deadline and an extension has not been requested, further state aid shall be withheld until the audit report has been received by DESE. Likewise, if an extension is granted and the audit report is not postmarked by December 31, 2003, further state aid shall be withheld until the audit report has been received by DESE. The school district is responsible for sending School Finance a copy of the audit report, accompanying management letter (if one is issued by the independent auditor), and a copy of the board minutes indicating approval of the audit report.

Since many districts will be receiving and reviewing their 2003 audit reports in the near future, School Finance encourages all districts to ensure the ending debt balances in the current year audit report (on the financial statements and/or in the Notes to the Financial Statements) agree to the 6/30/03 ASBR balances in Part IV, Long and Short Term Debt. It is also advisable to ensure the Notes to the Financial Statements agree to the debt reported on the financial statements in the audit report. Prior year reviews of these data have noted instances where the data on the financial statements in the audit reports are different than the data in the Notes section and/or on

the district's ASBR. Any discrepancies in the 2003 audit report data should be resolved with the district's independent auditor. If changes are necessary to the ASBR, please revise and re-submit the ASBR as soon as possible.

Districts should also review the Schedule of Selected Statistics and ensure the data reported on it are accurate. School Finance will perform comparisons between various figures on the Schedule of Selected Statistics with those reported by the district on the ASBR and in Core Data and will send audit comparison letters to districts where differences fall outside of a set tolerance range. The figures included in the data comparisons are the student data counts, the transportation data, the at-risk expenditures, and the PDC expenditures. Verification of the data prior to submission of the audit report will minimize the number of audit comparison letters sent later in the year and will ensure more accurate basic formula and transportation payments to the districts

Required Publishing of the District Financial Statement

Questions arise each fall concerning the district's requirement to publish a financial statement in a local newspaper. For clarification, the requirements to publish an annual financial statement are as follows:

Section 165.111, RSMo, applies to districts conducting a biennial audit (audit every other year covering two fiscal years). These districts must publish a financial statement by September 1, as a requirement for state aid, ONLY in the year the district does not take the steps required (board action, contract for audit services, etc.) to complete an audit by October 31. The published statement must indicate receipts by source, expenditures by account, indebtedness, and rate of taxation for all purposes for the prior school year. A copy of the financial statement, clipped from the newspaper, and the publication certification must be forwarded to School Finance as soon after September 1 as possible or state aid will be withheld until the payment following the receipt by DESE of the published notice.

Section 165.121.5, RSMo, requires a district in any year in which an audit is completed, to prepare a summary statement of specified financial information within 30 days of the receipt of the audit. This summary financial statement must be published immediately upon completion of the summary. There is no requirement to send a copy of this statement to School Finance. The district's independent auditor will monitor for compliance with this requirement.

2004-05 Basic Formula and Line 14 Budget Request

The 2004-05 budget request adopted by the State Board of Education includes an increase of more than \$800 million in state aid to public schools compared to the amounts authorized for this year. The Foundation Program requested increases are:

- Foundation Program Basic Formula +\$652 million (\$2.37 billion total)
- Foundation At-risk (Line 14) +\$62.7 million (\$420 million total)
- Transportation Aid +\$55.8 million (\$208 million total)
- Special Education Aid + \$8.0 million (\$158 million total)
- Early Childhood Special Education +\$17.8 million (\$ 99 million total)
- Gifted Education Aid + \$5.8 million (\$ 29 million total)
- Remedial Reading Aid *No increase* (\$ 11 million total)

The \$715 million for the Basic Formula and Line 14 is the amount estimated to achieve a proration factor of 1.00 in 2004-05 with a GTB of \$155,536. This projection accounts for increasing assessed valuations, eligible pupils, free and reduced eligible pupils, and tax rate changes. As you have heard from other sources, the requested increase in funding for FY05 is much greater than the projected growth in total state revenue. Approval of these requests is unlikely. Therefore, allocating limited FY05 resources will be even more challenging for the legislature than it was in FY04. *The district should project 2004-05 formula funding using proration factors for various levels of funding.* The following possible proration factors were provided at the MCSA School Funding Summit held September 24, 2003, in Jefferson City:

| | Lines 1A, 14A | Lines 1B, 14B |
|---|---------------|---------------|
| FY05 funding equals FY04 funding before withholding | .86 to .87 | .81 to .82 |
| FY05 funding equals FY04 funding after withholding | .82 to .83 | .77 to .78 |

If the FY05 funding is less than the FY04 funding after withholding, the proration factors will be further reduced. When more information is known about funding, revised proration factor estimates will be provided. Continue to be conservative in your projections. Even if the FY05 funding equals the FY04 funding after withholding, districts will not receive the same amount of state money in FY05 as FY04 as the formula is sensitive to the changes in eligible pupils, tax rates, assessed valuations, free and reduced lunch eligible pupils, etc.

Reporting Hours of Absence for Suspended Students

The Department has received a number of calls recently about the proper reporting of suspended students. Any student serving an out-of-school suspension that is not receiving instructional services should be reported as absent for attendance purposes. Since these students are not in an instructional setting, they are not to generate average daily attendance for state aid purposes. There is a separate field for reporting hours of absence on Screen 14.

Reminder: Full-time/Part-time Classification for Certain Students

The following information serves as a reminder in determining whether certain students are considered "full-time" or "part-time" for purposes of average daily attendance (ADA) and membership.

- a. Students who leave school and are employed for part of the school day:
 - A student enrolled in a vocationally approved Cooperative Occupational Education (COE) or other supervised occupational experience program where one of the course requirements is to spend a part of the school day in an employment situation is considered a full-time student if the on-campus instruction plus the employment equals or exceeds the regular school day. The student's employment is considered instructional time and is counted for attendance, not to exceed ten hours per week for one unit of credit or twenty hours per week for two units of credit. The on-campus instruction time and employment time may be based on a daily average for the week. The average daily attendance for the student cannot exceed 1.0.
 - A student leaving school prior to the completion of the school day for employment other than vocationally approved supervised occupational experience programs is a "part-time" student. The attendance hours on Screen 14 and the membership on Screen 16 of Core Data should reflect these students as part-time. The membership for the last Wednesday of September and January is computed by dividing the number of hours enrolled in class by the hours in the school day.
- b. Students working in a sheltered workshop for a part of the school day:

A student working in a sheltered workshop who has both an Individual Educational Plan (IEP) that requires the student to participate in a job activity and an agreement signed by the Division of Vocational Rehabilitation may be counted in attendance for the time spent working plus the time in the classroom, not to exceed the regular school day of the district. If these two requirements are not met, the student may only be counted for attendance and membership for the part of the day the student is receiving classroom instruction.

SCHOOL GOVERNANCE

Election Dates and Filings Information Update

The **2004 Missouri Election Calendar** provided by the Missouri Secretary of State's Office is available at the following web address: <http://www.sos.mo.gov/elections/calendar/2004cal.asp>. Notice that the first day for candidate filing for school board member is December 16, 2003. **The district must provide an opportunity for candidates to file at 8:00 A.M. on December 16, 2003 and until 5:00 P.M. on January 20, 2004.** If the office will be closed certain days during the holiday season, it would be helpful to publish the dates the office will be closed. Please study the calendar carefully.

SCHOOL TRANSPORTATION

Non-Route Transportation Expenditures - Effective July 1, 2003

Contracted Transportation Non-Route Mile Costs - All contracted transportation programs are required to code non-route mile costs to Function Code 2551, Object Code 6342. Caution should be exercised so that beginning July 1, 2003 the non-route mile costs are not coded to the instruction and activity Function Codes 1110-1400.

District Operated Transportation Non-Route Mile Costs - All district operated programs are required to code non-route mile costs to Function Code 2552 using all applicable Object Codes along with all other to-and-from school route costs.

Ridership List

As of October 8, 2003, (the second Wednesday in October) the compilation of the school district's first ridership list for the year should have been completed. This list should only include students' names who regularly rode the buses living both one mile or more from school (eligible students for state aid) and less than one mile (ineligible students for state aid). The ridership list from the second Wednesday of October will be combined with the ridership list from the second Wednesday of February and reported at the end of the year on the Application for State Transportation Aid (Section I Pupil Data - A thru F) of the 2003-2004 Annual Secretary of the Board Report (ASBR) due August 15, 2004.

DESE Accident Report Forms No Longer Required

The State Board of Education finalized a revision to 5 CSR 30-261.010 at its September board meeting. As a result of this revision, school districts are no longer required to complete the DESE School Bus Accident Report Form. DESE will now collect this information through the Missouri State Highway Patrol's accident reporting system. Please continue to inform DESE of any fatalities that involve school buses.

School Bus Driver Fingerprint Cards

Make sure that school bus drivers only use the Missouri Department of Revenue's fingerprint cards when applying for a school bus permit. Any fingerprint cards used that do not have the Missouri Department of Revenue designation will be rejected. Also, make sure all blanks are completed and legible on these cards.

DESE Homepage Address: <http://dese.mo.gov>